

# Canadian Stock and Index Options Margin Requirements

FINRA and the NYSE have imposed rules to limit small investor day trading. Customers that these organizations classify as Pattern Day Traders are subject to [Day Trading Restrictions](#) for US Securities. Note that we use option margin optimization software to try to create the minimum margin requirement. However, due to the system requirements required to determine the optimal solution, we cannot always guarantee the optimal combination in all cases.

## Note:

These formulas make use of the functions *Maximum* (*x*, *y*, ..), *Minimum* (*x*, *y*, ..) and *If* (*x*, *y*, *z*). The *Maximum* function returns the greatest value of all parameters separated by commas within the parenthesis. As an example, *Maximum* (500, 2000, 1500) would return the value 2000. The *Minimum* function returns the least value of all parameters separated by commas within the parenthesis. As an example, *Minimum* (500, 2000, 1500) would return the value of 500. The *If* function checks a condition and if true uses formula *y* and if false formula *z*. As an example *If* (20 < 0, 30, 60) would return the value 60.

## Combination Type

The following table shows option margin requirements for each type of margin combination. Click a link below to learn more:

- [Long Call or Put](#)
- [Short Naked Call](#)
- [Short Naked Put](#)
- [Covered Calls and Puts](#)
  
- [Call Spread](#)
- [Put Spread](#)
- [Protective Put](#)
- [Protective Call](#)
  
- [Collar](#)
- [Conversion](#)
- [Reverse Conversion](#)
- [Long Butterfly](#)



## Long Call or Put

| Reg T Margin       |                                                 |
|--------------------|-------------------------------------------------|
| Initial Margin     | None. Long option cost is subtracted from cash. |
| Maintenance Margin | None.                                           |
| Cash               | None. Long option cost is subtracted from cash. |



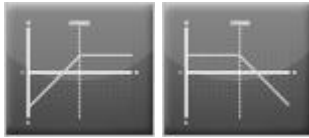
### Short Naked Call

| Reg T Margin       |                                                                                                                                                                                                                                                                                              |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Initial Margin     | <b>Stock Options<sup>1</sup></b><br>Call Price + Maximum (((30% * Underlying Price) - Out of the Money Amount),<br>10% * Underlying Price)<br><br><b>Index Options<sup>1</sup></b><br>Call Price + Maximum (((15% * Underlying Price) - Out of the Money Amount),<br>10% * Underlying Price) |
| Maintenance Margin | Same as Initial.                                                                                                                                                                                                                                                                             |
| Cash               | N/A                                                                                                                                                                                                                                                                                          |



### Short Naked Put

| Reg T Margin       |                                                                                                                                                                                                                                                                                      |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Initial Margin     | <b>Stock Options<sup>1</sup></b><br>Put Price + Maximum (((30% * (Underlying Price) - Out of the Money Amount),<br>10% * Strike Price)<br><br><b>Index Options<sup>1</sup></b><br>Put Price + Maximum (((15% * (Underlying Price) - Out of the Money Amount),<br>10% * Strike Price) |
| Maintenance Margin | Same as Initial.                                                                                                                                                                                                                                                                     |
| Cash               | Aggregate Put Strike Price.                                                                                                                                                                                                                                                          |



## Covered Calls and Puts

Short an option with an equity position held to cover full exercise upon assignment of the option contract.

| Reg T Margin       |                                                                              |
|--------------------|------------------------------------------------------------------------------|
| Initial Margin     | Stock Initial Margin Requirement + In the Money Amount                       |
| Maintenance Margin | Same as Initial.                                                             |
| Cash               | <b>Covered Calls</b><br>Stock paid in full<br><br><b>Covered Puts</b><br>N/A |



## Call Spread

A long and short position of equal number of calls on the same underlying (and same multiplier) if the long position expires on or after the short position.

| Reg T Margin       |                                                                                        |
|--------------------|----------------------------------------------------------------------------------------|
| Initial Margin     | Maximum ((Strike Long Call - Strike Short Call), 0)                                    |
| Maintenance Margin | Same as Initial.                                                                       |
| Cash               | Same as Initial if both options are European-style cash-settled<br><br>Otherwise, N/A. |



## Put Spread

A long and short position of equal number of puts on the same underlying (and same multiplier) if the long position expires on or after the short position.

| Reg T Margin       |                                                                             |
|--------------------|-----------------------------------------------------------------------------|
| Initial Margin     | Maximum (Short Put Strike - Long Put Strike, 0))                            |
| Maintenance Margin | Same as Initial.                                                            |
| Cash               | Same as Margin Account<br>Both options must be European style cash settled. |



### Protective Put

Long Put and Long Underlying.

| Reg T Margin       |                                                                                                        |
|--------------------|--------------------------------------------------------------------------------------------------------|
| Initial Margin     | Initial Stock Margin Requirement                                                                       |
| Maintenance Margin | Minimum (((10% * Put Strike Price) + Put Out of the Money Amount), Long Stock Maintenance Requirement) |
| Cash               | N/A                                                                                                    |



### Protective Call

Long Call and Short Underlying.

| Reg T Margin       |                                                                                                                                                                                                                                                      |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Initial Margin     | <b>If Trading Currency is CAD</b><br>Minimum(Strike Long Call, Initial Stock Margin Requirement)<br><br><b>If Trading Currency is not CAD</b><br>Call Price + (30% * Underlying Price) + Minimum (Out of the Money Amount, (30% * Underlying Price)) |
| Maintenance Margin | <b>If Trading Currency is CAD</b><br>Minimum(Strike Long Call, Maintenance Stock Margin Requirement)<br><br><b>If Trading Currency is not CAD</b><br>Call Price + (30% * Underlying Price) + Minimum (Out of the Money                               |

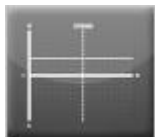
|             |                                      |
|-------------|--------------------------------------|
|             | Amount,<br>(30% * Underlying Price)) |
| <b>Cash</b> | N/A                                  |



### Collar

Long put and long underlying with short call. Put and call must have same expiration date, same underlying (and same multiplier), and put exercise price must be lower than call exercise price.

| Reg T Margin       |                                                                                                                    |
|--------------------|--------------------------------------------------------------------------------------------------------------------|
| Initial Margin     | Initial Stock Margin Requirement + In the Money Call Amount                                                        |
| Maintenance Margin | In the Money Call Amount + Minimum (((10% * Put Strike Price) + Out of the Money Put Amount), (30% * Strike Call)) |
| <b>Cash</b>        | N/A                                                                                                                |



### Conversion

Long put and long underlying with short call. Put and call must have the same expiration date, underlying (multiplier), and exercise price.

| Reg T Margin       |                                                             |
|--------------------|-------------------------------------------------------------|
| Initial Margin     | Initial Stock Margin Requirement + In the Money Call Amount |
| Maintenance Margin | In the Money Call Amount + (10% * Strike Price)             |
| <b>Cash</b>        | N/A                                                         |



### Reverse Conversion

Long call and short underlying with short put. Put and call must have same expiration date, underlying (multiplier), and exercise price.

| Reg T Margin       |                                                            |
|--------------------|------------------------------------------------------------|
| Initial Margin     | In the Money Put Amount + Initial Stock Margin Requirement |
| Maintenance Margin | In the Money Put Amount + (10% * Strike Price)             |
| Cash               | N/A                                                        |



### Long Butterfly

Two short options of the same series (class, multiplier, strike price, expiration) offset by one long option of the same type (put or call) with a higher strike price and one long option of the same type with a lower strike price. All component options must have the same expiration, same underlying, and intervals between exercise prices must be equal.

| Reg T Margin       |                                                               |
|--------------------|---------------------------------------------------------------|
| Initial Margin     | None.                                                         |
| Maintenance Margin | Same as Initial.                                              |
| Cash               | None<br><br>Both options must be European-style cash-settled. |

### Disclosures

1. Minimum charge of USD 2.50 per share of underlying. This minimum does not apply for End of Day Reg T calculation purposes.